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FISCAL IMPACT STATEMENT

LS 7666 | **NOTE PREPARED:** Jan 15, 2007
BILL NUMBER: HB 1604 | **BILL AMENDED:**

SUBJECT: University Selection of Preferred Lenders.

FIRST AUTHOR: Rep. Cherry | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** State
DEDICATED
FEDERAL

Summary of Legislation: This bill prohibits the lenders of private student loans from making gifts to state educational institutions. It prohibits the employees of state educational institutions and foundations established for the benefit of state educational institutions from accepting from ca lender gifts having a total value of more than $100 in a calendar year.

The bill requires the Attorney General to enforce the prohibitions.

The bill establishes the conditions under which a state educational institution may designate a lender of private student loans as a preferred lender.

The bill imposes civil penalties upon lenders that make prohibited gifts. It requires a state educational institution that violates the new provisions to forfeit an amount equal to 1% of the tuition charged to students in the preceding academic year. The bill requires penalties and forfeitures to be paid to the State Student Assistance Commission for scholarships.

The bill makes an appropriation.

Effective Date: July 1, 2007.

Explanation of State Expenditures: The prohibition of state educational institutions from accepting gifts should have no fiscal impact. The requirement that an institution cannot designate a lender as a preferred lender, unless it designates at least four other lenders as preferred lenders and cannot offer space to a private student loan lender space is offered to other lenders at the same price should not have a major fiscal impact.

The Attorney General is required to enforce the provisions of the bill. If the Attorney General finds by a preponderance of evidence that a state educational institution has violated the act, the state educational institution is required to forfeit 1% of the tuition charged to the students to students enrolled the preceding year to be paid to the State Student Assistance Commission.

If the Attorney General finds by a preponderance of evidence that a lender or private student loan has made gifts to a state educational institution, the Attorney General has to impose civil penalties up to three times the aggregate value of all gifts plus:
1. $1,000 for the lender's first violation.
2. $2,500 for a lender's second violation.
3. $5,000 for each additional lender violation.

The civil penalty is to be paid to the State Student Assistance Commission.

The increased expense for the Attorney General would depend on the number of cases they might have to investigate. The increase would probably be minor.

The amount of revenue that might be generated for the State Student Assistance Commission from civil penalties and possible assessments on state educational institutions is unknown.

Explanation of State Revenues: *See Explanation of State Expenditures.*

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Student Assistance Commission, Attorney General, State Educational Institutions.

Local Agencies Affected:

Information Sources:

Fiscal Analyst: Chuck Mayfield, 317-232-4825.